

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Pacheco Analyst: Roger Lackey Bill Number: AB 15X

Related Bills: See Prior Analysis Telephone: 845-3627 Amended Date: 03-28-2001

Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Energy Conservation Credit

- ☒ DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced January 24, 2001.
- ☒ AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.
- _____ AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.
- _____ FURTHER AMENDMENTS NECESSARY.
- _____ DEPARTMENT POSITION CHANGED TO _____.
- ☒ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED January 24, 2001, STILL APPLIES.
- _____ OTHER - See comments below.

SUMMARY

This bill would allow an energy conservation measure credit.

SUMMARY OF AMENDMENT

The March 28, 2001, amendments incorporated the proposed language provided by the department upon the author's request. These amendments revised the language of the energy conservation measure credit by defining specific terms and limiting the credit to \$1,000 per taxable year for taxable years beginning on or after January 1, 2001, and before January 1, 2004. The energy conservation measure credit is further discussed under "THIS BILL" below.

As a result of these amendments, the implementation considerations, technical considerations, and policy considerations have been resolved. A new tax revenue estimate is included below.

Except for the discussion of this analysis, the department's analysis of AB 15X as introduced January 24, 2001, still applies.

Board Position:

_____ S	_____ NA	_____ NP
_____ SA	_____ O	_____ NAR
_____ N	_____ OUA	<input checked="" type="checkbox"/> PENDING

Legislative Director

Date

Brian Putler

04/02/01

THIS BILL

This bill would allow a credit for the qualified cost of an energy conservation measure installed on qualified property that is placed in service in this state. The credit would be equal to the lesser of \$1,000 or 100% of the cost of the energy conservation measure.

This bill would:

- Require that the energy conservation measures must be installed on property located and used in California.
- Define energy conservation measures and clarify that the measures must be new, not used, energy conservation measures.
- Require the State Energy Resources Conservation Commission to certify each energy conservation measure. In addition, the commission would be required to adopt regulations that establish standards for the energy conservation measures.
- Require the taxpayer to obtain and retain certification for energy conservation measures to be eligible for the credit.
- Define qualified taxpayer, qualified property, and qualified cost.
- Include certain specified costs of leasing energy conservation measures as an eligible cost.
- Require that the energy conservation measures must be installed and placed in service on existing property and not in connection with the construction of property or in connection with an increase in square footage.
- Reduce the eligible cost used to calculate the credit by any state or federal grants received.
- Allow the credit to be carried forward for a period of eight years.
- Not allow any other deduction for the costs on which the credit was based.
- Be repealed December 1, 2004.

IMPLEMENTATION CONSIDERATIONS

Implementing this bill would not significantly impact the department's programs and operations.

ECONOMIC IMPACT

Tax Revenue Estimate

This bill would potentially result in very significant revenue losses under the PIT and B&CT Laws, possible on the order of \$500 million annually beginning in 2001-02.

Tax Revenue Discussion

Energy conservation measures and costs that may be claimed as credits by taxpayers are extremely broad under the bill. Examples of such measures can range in cost from a few dollars for weather stripping to several thousand dollars for a new energy-efficient heating and cooling systems in a home to hundreds of thousands of dollars or more by a business in a commercial facility.

There are roughly 11.6 million residential units and nearly 425,000 non-governmental and non-tax-exempt commercial buildings in California. If one in ten taxpayers who own the roughly 12 million structures incur qualifying costs of \$500 on average, credits generated would total \$600 million. Qualified taxpayers would need to obtain written certification that each measure is installed at the taxpayer's qualified property and would improve the energy efficiency of that property.

LEGISLATIVE STAFF CONTACT

Roger Lackey
Franchise Tax Board
845-3627

Brian Putler
Franchise Tax Board
845-6333